

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 USIE-00 AID-05 CIAE-00 COME-00
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OPIC-03 SP-02 LAB-04 EPG-02 SIL-01 OMB-01 CU-02
DODE-00 PA-01 PRS-01 /056 W
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R 102030Z JUN 77
FM AMCONSUL SAO PAULO
TO SECSTATE WASHDC 0000
INFO AMEMBASSY BRASILIA
AMCONSUL RIO DE JANEIRO

C O N F I D E N T I A L SECTION 1 OF 2 SAO PAULO 1522

JOINT STATE USIS MESSAGE

E.O. 11652: GDS
TAGS: PINT, BR
SUBJ: FINANCIAL PROBLEMS SPARK PERSONNEL CUTS AND EDITORIAL
CHANGES AT O ESTADO DE SAO PAULO

1. SUMMARY: O ESTADO DE SAO PAULO, ONE OF BRAZIL'S MOST IMPORTANT AND PRESTIGIOUS NEWSPAPERS HAS FIRED ABOUT 500 PLANT WORKERS AND 30 MEMBERS OF THE EDITORIAL STAFF OVER THE PAST MONTH IN ORDER TO CUT COSTS. OBSERVERS WITHIN O ESTADO AND OTHER JOURNALISTS BELIEVE THERE IS A POLITICAL SLANT TO SOME OF THE FIRINGS. THE FIRINGS ALSO COINCIDE WITH AN INCREASE IN GOVERNMENT ADVERTISING IN O ESTADO AND, ACCORDING TO A TOP O ESTADO REPORTER, THE ASCENSION OF RIO MESQUITA OVER HIS OLDER BROTHER, JULIO MESQUITA NETO, IN CONTROL OF THE FIRM. O ESTADO, WHICH HAS IMPECCABLE REVOLUTIONARY CREDENTIALS, HAD BECOME ONE OF THE GEISEL ADMINISTRATION'S AND THE REGIME'S FIEREST CRITICS. MODERATION OF O ESTADO'S POSITION WILL REMOVE AN IMPORTANT THORN IN THE REVOLUTION'S SIDE. END SUMMARY.

2. STORIES HAVE CIRCULATED FOR SOME MONTHS ABOUT O ESTADO DE SAO PAULO'S FIANCIAL DIFFICULTIES. THE PAPER BUILT AN IMPRESSIVE
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NEW OFFICE AND PRINTING PLANT LAST YEAR. BUT THE ECONOMIC DOWNTURN IN CIVIL CONSTRUCTION AND THE DECLINE IN JOB OPPORTUNITIES HAVE EATEN DEEPLY INTO ITS CLASSIFIED ADVERTISING REVENUE. ACCORDING TO ONE OF O ESTADO'S TOP REPORTERS, SERGIO MOTTA MELLO, ESTADO'S ADVERTISING INCOME HAS BEEN DROPPING STEADILY SINCE JANUARY, 1976. THE DECISION TO GO AHEAD WITH ESTADO'S NEW HEADQUARTERS WAS MADE IN 1974, AT A TIME WHEN ECONOMIC DANGER SIGNALS WERE ALREADY

ON THE HORIZON. THE MESQUITA FAMILY HAS BEEN CRITICIZED FOR BOTH THE TIMING OF THIS MAJOR EXPENSE AND BECAUSE THE NEW MODERN PRINTING PLANT IS SET UP ONLY TO PRINT O ESTADO AND ITS EVENING COMPANION, JORNAL DE TARDE. JOURNALISTS AT ESTADO HAD URGED THAT ESTADO CONVERT AT THE TIME OF THE CONSTRUCTION OF THE NEW PLANT TO A MORE VARIED PUBLISHING COMPLEX, LIKE EDITORA ABRIL.

3. PERSONNEL. ABOUT 15 PEOPLE WERE FIRED FROM THE EDITORIAL STAFF IN THE FIRST WEEK OF MAY. ABOUT ANOTHER 15 WERE FIRED IN SUBSEQUENT WEEKS ALONG WITH TH 500 PLANT WORKERS. MOST OF THE PROFESSIONAL JOURNALISTS HAVE BEEN PICKED UP BY OTHER NEWSPAPERS, MAINLY FOLHA DE SAO PAULO, WHICH HAS CONSISTENTLY INCREASED ITS CIRCULATION AND IMPORTANCE OVER THE PAST YEAR AND A HALF. SOME OF THE FIRINGS HAD A POLITICAL CAST. IN RIO, THE ESTADO AND JORNAL DA TARDE BUREAUS WERE MERGED, WITH THE JT BUREAU CHIEF PUT IN CHARGE OF THE NEW OFFICE. MARIO CUNHA, A JOURNALIST WITH ESTADO FOR MORE THAN 20 YEARS, KNOWN FOR HIS FAR LEFT CONNECTIONS, WAS ONE OF THOSE RELEASED. MANAGING EDITOR CLOVIS ROSSI, WHO HEADED A GROUP WHICH PRESENTED A PETITION TO OWNER JULIO MESQUITA NETO, WAS REPLACED BY MIGUEL JORGE, THE ASSISTANT NIGHT EDITOR OF JORNAL DA TARDE. ROSSI HAS BEEN KEPT ON AS A REPORTER.

4. THE ASCENSION OF RUI MESQUITA TO CONTROLLING POSITION AT O ESTADO IS APPARENTLY ONE OF THE EFFECTS OF THE FINANCIAL CRISIS. IN O ESTADO'S DYNASTIC MANNER, THE FIRST SON HAS TRADITIONALLY RUN THE PAPER. JULIO MESQUITA NTEO IS A SHY PERSON, LESS DYNAMIC THAN RUI, BUT ALSO MORE MODERATE AND BASICALLY LIBERAL IN HIS POLITICAL BELIEFS. RUI MESQUITA HAS A MORE RADICAL PERSONALITY. CONFIDENTIAL

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BOTH OF THEM, HOWEVER, ACCORDING TO REPORTS OF ESTADO JOURNALISTS, WORK THROUGH INTERMEDIARIES, NEVER DIRECTLY ON THE PAPER IN THE EDITORIAL ROOM. AS A RESULT, THEY DO NOT COMMAND THE RESPECT OF THE JOURNALISTS TO THE EXTENT THEIR FATHER DID. MEMORIES OF JULIO MESQUITA FILHO, WHO DIED IN 1969, ARE STILL STRONG. JORNAL DA TARDE, WHEN IT WAS CREATED 11 YEARS AGO, WAS GIVEN TO RUI MESQUITA TO CONTROL, TO HELP AVOID CONFLICT IN THE FAMILY. HE HAS REPORTEDLY BEEN CHAMPING AT THE BIT TO CONTROL O ESTADO FOR SEVERAL YEARS.

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OPIC-03 SP-02 LAB-04 EPG-02 SIL-01 OMB-01 CU-02
DODE-00 PA-01 PRS-01 /056 W
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C O N F I D E N T I A L SECTION 2 OF 2 SAO PAULO 1522

JOINT STATE USIS MESSAGE

5. EDITORIAL CHANGES. SINCE THE MANAGEMENT REALIGN-
MENT AT O ESTADO, THE PAPER HAS BECOME EDITORIALLY MORE CONSERVATIVE.
O ESTADO HAS COME AROUND 180 DEGREES IN ITS OPINION ON STUDENT
PROTESTS FROM JUNE 3, WHEN IT PUBLISHED A LIBERAL PIECE SUGGESTING
THAT THE STUDENTS WERE FLECTING URBAN MIDDLE CLASS
OPINION, TO JANUARY 7, WHEN IT FOUND COMMUNISTS DANGEROUSLY INFLUENC-
ING STUDENT PROTESTS. SERGIO MOTTA MELLO TOLD CONGEN OFF THAT THE
LATTER EDITORIAL WAS "WRITTEN TO ORDER" FOR RUI MESQUITA. MOTTA
MELLO SAID THAT RUI MESQUITA HAD ALSO ORDERED
AN ABOUT FACE IN THE PAPER'S HANDLING OF THE CHARGES AGAINST
DEPUTY MARCOS TITO. RUI MESQUITA FAVORS HIS CASSATION.
EDITORIALS FOR THE PAST WEEK HAVE EITHER FOLLOWED THE NEW ORIENTATION
ON SPECIFIC ISSUES, OR HAVE COVERED ONE OF THE MESQUITA FAMILY'S
IDEOLOGICAL WARHOUSES, SUCH AS THE COLD WAR OR CUBA.

6. ANGLING FOR GOVERNMENT SUPPORT? SIMULTANEOUSLY WITH THE CHANGES
DESCRIBED ABOVE, THE GOVERNMENT HAS BEGUN TO TAKE OUT
HALF PAGE ADS FOR GOVERNMENT ENTERPRISES SUCH AS THE BANK OF
BRAZIL AND THE POST OFFICE. MOTTA MELLO SAID THAT JULIO MESQUITA
NETO HAD CALLED ON FINANCE MINISTER SIMONSEN AT THE END OF MAY.
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THE APPARENT RESULTS WERE A TONING DOWN OF ESTADO'S CRITICISM OF THE
GOVERNMENT AND AN INCREASE IN ITS ADVERTISING--AND A LONG,
LAUDATORY PIECE ON SIMONSEN.

7. COMMENT: O ESTADO, BECAUE OF ITS IMPECCABLE REVOLUTIONARY
CREDENTIALS, HAS BEEN ONE OF THE MOST DAMAGING CRITICS OF THE
GEISEL ADMINISTRATION AND THE REGIME IN RECENT MONTHS. (AS LATE
AS APRIL, ESTADO EDITORIALLY WAS ACCUSING GEISEL OF RUNNING THE
COUNTRY LIKE CEASAR AND OF SECRETLY WANTING TO CONTINUE IN OFFICE

BEYOND THE EXPIRATION OF HIS TERM.) ALTHOUGH ESTADO IS EXPECTED TO CONTINUE ITS CAMPAIGNS FOR DEMOCRATIC ELECTIONS AND AGAINST CORRUPTION, MODERATION OF ITS HARSH CRITICISM WILL REMOVE AN IMPORTANT THORN FROM THE REVOLUTION'S SIDE. MORE DETAILED USIS MESSAGE FOLLOWS.

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Message Attributes

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Drafter: n/a
Enclosure: n/a
Executive Order: GS
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Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2193443
Secure: OPEN
Status: NATIVE
Subject: FINANCIAL PROBLEMS SPARK PERSONNEL CUTS AND EDITORIAL CHANGES AT O ESTADO DE SAO PAULO
TAGS: PINT, SOPN, BR
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/d815667f-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009